

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 000295

SIPDIS

STATE FOR NEA/ARP, EB/ESC
EB/CBA J. FRANK MERMOUD
USDOC FOR 4520/ITA/MAC/OME

E.O. 12958: DECL: 01/25/2014

TAGS: [EPET](#) [ETRD](#) [EINV](#) [KU](#) [IZ](#)

SUBJECT: (U) PROJECT KUWAIT: CHEVRONTExACO BRIEFS SPECIAL
REP. MERMOUD

Classified By: CDA Frank C. Urbancic for reason 1.4 (d)

11. (C) Summary: Special Representative for Commercial and Business Affairs J. Frank Mermoud met with ChevronTexaco Kuwait Manager Hani Iskander on January 13. During the course of their conversation, the two discussed the status of Kuwait's long-delayed northern oilfields project (Project Kuwait) and ChevronTexaco's involvement in reconstruction efforts in Iraq. End Summary.

12. (C) In a frank discussion on January 13, ChevronTexaco Kuwait Manager Hani Iskander shared the history of his company's current presence in Kuwait and details of GOK's announced plans to further develop Kuwait's northern oilfields. (Note: The 5 northern oilfields, 2 of which straddle the Iraqi border, have estimated reserves of 7 billion barrels. End Note.) Since 1994, ChevronTexaco has held a contract for the management of Kuwait's Burgan oil field - the second largest in the world - and maintains a total presence of 40 employees in Kuwait. Iskander described the contract as a "stepping stone" the company was hoping would pay off if and when Kuwait finally decides to implement plans to upgrade its northern oil fields.

13. (C) Iskander said ChevronTexaco wrote the first proposal for Project Kuwait in 1998. He said its structure was well received and has since been largely adopted by the GOK. The proposal called for an operating services agreement whereby the winning company would invest heavily in upgrading the technology of the northern fields and receive a fixed fee for each barrel pumped. ChevronTexaco estimates this arrangement could double production on the three northern oilfields within four years.

14. (C) Iskander said the delay in the project, which has yet to be officially tendered, is due to a dearth of vision amongst Kuwait's leadership, opposition in the National Assembly to subjecting national petroleum assets to any real or perceived foreign influence and a blase attitude toward reserves. Iskander estimates that despite official statistics asserting Kuwait has pumped half of its oil reserves, that in fact less than 1/3 remains. (Note: At current production levels, it is officially estimated by the GOK that Kuwait has up to 100 years of reserves remaining; Iskander believes this is a very inflated estimate. End Note.) Adding to this is the tribal nature of Kuwaiti society, which can lead to great inefficiency. Iskander said a high-ranking Kuwait Petroleum Company (KPC) executive recently confided to him that he spends 40% of his time on personnel issues (i.e. job requests) driven by tribal interests.

15. (C) Chevron leads a bidding consortium of companies to bid on the project that includes Total, Petro-Canada, Sibneft, Sinopec and itself. Its main competitor on the project is BP, which he said now claims to be a US company, on account of its US holdings, in an effort to obtain official USG advocacy (or neutralize advocacy on behalf of ChevronTexaco). Asked who was the ultimate arbiter in deciding if and how Project Kuwait would move forward, Iskander unequivocally named Prime Minister Shaykh Sabah Al-Ahmed Al-Sabah. He noted that both Secretary of Commerce Evans and Secretary of Energy Abraham had delivered letters to Shaykh Sabah in the summer of 2003 asking for action on the project. According to Iskander, "the response was 'yes, we're moving.'" However, there has been no further action.

Iraq

16. (C) On ChevronTexaco's plans for possible involvement in Iraq, Iskander said the company had already rented a house in Baghdad and hired an Arabic-speaking British counter terrorism analyst to monitor the security situation inside the country. Iskander said he had met with Iraqi Oil Minister Bahr al-Oloum and agreed to assist the Ministry in technical matters, but will not move any substantial number of employees there until the security situation improves and a legal infrastructure is established (i.e. not until after a sovereign Iraqi government takes over).

17. (C) Despite these prerequisites, Iskander said

ChevronTexaco does plan to have a long-term presence in Iraq.

The company has sent 12 Iraqis to Houston for extensive training and plans to send 3 to California annually for training at ChevronTexaco facilities there. Responding to a request from Mr. Mermoud to publicize these training programs, Iskander promised to contact his headquarters and provide an answer soon.

18. (U) Mr. Mermoud was not able to clear on this cable before departing.
URBANCIC